



Treasurer To Give Governor and Legislature Debt Affordability Report

Under legislation sponsored by the State Treasurer and signed into law on October 1, the Treasurer will prepare a debt affordability report to be submitted to the Legislature annually.

Senate Bill 2009 would summarize information regarding the State's bond ratings, trends in the municipal market, information on bondholders, and the amount of the State's outstanding debt. The report will give the Governor and the Legislature a proactive tool for the management of State debt.

Treasurer Sells G.O. Bonds

The State Treasurer sold \$500 million of general obligation bonds on October 22. This was the first sale of general obligation (GO) bonds by the State since Standard and Poor's upgraded the State's credit rating from A to A+.

Two syndicates from Wall Street bid on the bonds. The syndicate headed by Lehman Brothers won with an overall net effective interest rate of 5.5094%. The second bid, at 5.5113%, was submitted by a syndicate led by Merrill Lynch & Co. These were the most competitive bids submitted to the State since February 1995. The difference between the first and the second bid was less than 0.002%.

Public Resources Advisory Group, the State's financial advisor, did a market analysis after the sale. They concluded that the State sold the \$500 million GO bonds at much lower interest rates than "generic" AA-rated general obligation bonds.

Of the amount sold, \$371.1 million was used to refund outstanding general obligation commercial paper notes. This is the first time that GO bonds have been sold to retire tax-exempt commercial paper since the inception of the program.

California Economy Continues Upswing

California's economy continues to expand at a pace above the national average according to the State Department of Finance. The preliminary General Fund cash receipts for September were \$233 million above the 1996 budget of \$5,197 million. This brings the year-to-date cash receipts to \$415 million above budget.

The Center For Continuing Study of the California Economy in Palo Alto released a report on October 16, estimating that 18,000 more people moved into California than out between January and early September of this year. The report is based on records of the State Department of Motor Vehicles.

The Center estimates that California will have a net gain of 25,000 new residents by the end of this year. This is the first time since the early 1990's recession that the out-migration trend has reversed.

Treasurer Adds Information to Home Page

In an effort to provide current information to bondholders, potential investors, analysts and municipal bond industry professionals, the State Treasurer's office (STO) has revised its home page (<http://www.treasurer.ca.gov>) to include pertinent information about the State of California and its bond programs.

- ♦ Bond sales (forward calendar), redemption and official statements.
- ♦ Financial statements (audited, unaudited, cash flow and monthly cash receipt statements).
- ♦ Current budget and finances.
- ♦ California's current and historical credit ratings.
- ♦ General news and information from the STO.

The State Treasurer believes that the information made available on the Internet will be beneficial to both bondholders and the capital markets.

Ask the State Treasurer

Q: *Can I present or mail my State of California bonds for payment or re-registration to your Los Angeles office?*

A: Our Los Angeles office is not equipped to handle any payment or registration transactions. All payment and registration functions are performed in our Sacramento office. You may present or mail your bonds to the *Bondholder Services Section* at 915 Capitol Mall, Room 117, Sacramento, California 95814.

Please call the *Bondholder Services Section* at (916) 653-2884 if you have any questions or need additional information.

Q: *When a death certificate is required by your office, does it have to be an original death certificate?*

A: No. Generally, you can submit either (1) an original death certificate, (2) a certified copy of the death certificate, or (3) a plain copy of the original death certificate with a Medallion Signature Guarantee on it. For information regarding your specific request, please contact the *Bondholder Services Section* at (916) 653-2884.

Listing of Redemptions

This listing reflects redemptions officially announced as of November 1, 1996. These bonds will be redeemed on December 1, 1996.

State of California, Department of Water Resources, Central Valley Project Power Facilities Revenue Bonds, Series H, issued July 10, 1986 (full redemption)

\$27,010,000 due on December 1, 1997-2001 will be redeemed.

State of California, Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series B, issued June 2, 1987 (full redemption)

\$91,575,000 due on December 1, 1997-2008, 2015 and 2023 will be redeemed.

If there are any questions regarding the purpose or timing of these calls, please call (916) 653-3451. For redemption or registration information, please call (916) 653-2884.

The Treasury Note Mailing List

If you would like to be on the mailing list to receive *The Treasury Note* monthly, please send your name and address to the *Investor Relations Program* at the address on the previous page.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker about two weeks before the sale date. For updated information regarding upcoming sales, please contact the State Treasurer's office at (916) 653-3243.

BOND SALES	AMOUNT in millions	SALE DATE
San Francisco State Office Building, JPA Lease Purchase Revenue Bonds	\$335	November 1996
Department of Water Resources, Central Valley Project Revenue Bonds (New money)	\$125	December 1996
Department of Water Resources, Central Valley Project Refunding Bonds	\$40-110	Market Watch
California State University-Student Union Revenue Bonds	\$7	December 1996
Department of Veterans Affairs, Home Purchase Revenue Bonds	\$100	January 1997
Oakland State Office Building, JPA Lease Purchase Revenue Bonds	\$175	Spring 1997
State Public Works Board, California Museum of Science and Industry, Lease Purchase Revenue Bonds	\$32	Spring 1997

*Subject to change without notice